

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Application of CALIFORNIA
WATER SERVICE COMPANY
(U60W) for Authority to Establish its
Authorized Cost of Capital for the
period from January 1, 2022 through
December 31, 2024.

Application 21-05-002

**PROTEST
OF THE PUBLIC ADVOCATES OFFICE**

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June 4, 2021

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I. INTRODUCTION

Pursuant to Rule 2.6 of the California Public Commission’s (Commission) Rules of Practice and Procedure (Rules), the Public Advocates Office at the Commission (Cal Advocates) submits this protest to the applications of California-American Water Company (Cal-Am), California Water Service Company (Cal Water), Golden State Water Company (GSWC), and San Jose Water Company (SJWC) (collectively “the Applicants”) (Applications).¹ In this proceeding, the Applicants seek Commission approval to establish each company’s authorized cost of capital for the period from January 1, 2022 through December 31, 2024.²

Cal Advocates is currently conducting discovery and research concerning the requested costs of capital and anticipates making its own recommendations after further review and analysis.

¹ The four Applications are: Application (A.) 21-05-001 (Cal-Am), A.21-05-001 (Cal Water), A.21-05-002 (GSWC), and A.21-05-004 (SJWC). Cal Advocates plans to submit a motion to consolidate the four Applications after filing of the protest under each proceeding.

² The notice of the filing of the Applications appeared on the Commission’s Daily Calendar on May 5, 2021. Cal Advocates’ protest is timely filed under Rule 2.6(a).

II. BACKGROUND

In May 2007, the Commission issued Decision (D.) 07-05-062, *Opinion Adopting Revised Rate Case Plan for Class A Water Utilities*, which adopted the Rate Case Plan (RCP) for Class A water utilities, including the minimum data requirements.³ D.07-05-062 directed the Class A water utilities to file cost of capital applications in compliance with the filing schedule and all other general rate case requirements set forth in the RCP on a triennial basis.⁴ On March 11, 2020, the Executive Director of the Commission granted a request made by the Applicants to extend the date by which the Class A water utilities⁵ must file their 2020 cost of capital applications from May 1, 2020 to May 1, 2021. On January 5, 2021, the Applicants submitted a subsequent request to extend for an additional year the period of the time over which they could maintain their previously authorized rates of return. The Executive Director of the Commission denied the Applicants' request and directed each Applicant to file its cost of capital application on or before May 1, 2021.

Pursuant to the Commission decisions and directions, the Applicants submitted the Applications in this proceeding, seeking the Commission's authorization to set new equity returns, cost of debt, capital structures, and overall rates of return on rate base for the period January 1, 2022 to December 31, 2024.

Below is a summary of the Applicants' proposals:

	Equity Return	Proposed Cost of Debt	Debt/ Equity Ratio	Proposed Overall Rate of Return
Cal-Am	10.75%	4.35%	42.96%/57.04%	8.00%
Cal Water	10.35%	4.23%	46.60%/53.40%	7.50%
GSWC	10.50%	5.10%	43.00%/57.00%	8.18%
SJWC	10.30%	5.48%	45.45%/54.55%	8.11%

³ D.07-05-062, Ordering Paragraph 1 and Appendix A.

⁴ D.07-05-062, Ordering Paragraph 4 and Appendix A; D.10-10-035, Ordering Paragraph 3.

⁵ Class A water utilities are those companies with more than 10,000 service connections.

The Applicants' proposed rates of return on equity are higher than the Commission's previously authorized rates. At this early stage of the proceeding, Cal Advocates preliminary research shows that such an increase may not be justified.

The Applicants also propose to continue the Water Cost of Capital Mechanism (WCCM) for years 2023 and 2024 consistent with past settlements and Commission decisions,⁶ using the base year 2022. Cal Advocates is currently analyzing the request of continuing WCCM and will make recommendations after further review and analysis of WCCM.

III. ISSUES TO BE CONSIDERED

Cal Advocates has conducted a preliminary review of the Applications and identified the following issues for the Commission to consider in this proceeding. Cal Advocates reserves the right to identify and address additional issues as its discovery and analysis proceeds.

- A. Whether the Applicants comply with Rule 3.2 and the minimum data requirements outlined in Attachment 2 of the RCP?
- B. For each Applicant:
 - 1. What is a just and reasonable rate of return on rate base during 2022-2024?
 - 2. What is a reasonable rate of return on common equity during years 2022-2024?
 - 3. What is a reasonable weighted average cost of debt during 2022-2024?
 - 4. What is a reasonable capital structure during 2022-2024?
 - 5. Whether it is appropriate to continue the WCCM for years 2023 and 2024 using 2022 as the base year?

⁶ See D.09-07-051, *Adopting a Settlement on an Adjustment Mechanism to the Base Year 2009 Cost of Capital for the Three Large Multi-District Class A Water Utilities*; D.10-10-035, *Cost of Capital Decision for San Jose Water Company, et al.*; D.12-07-009, *Approving Settlement Agreement* D.18-03-035, *Fixing Cost of Capital for Calendar Years 2018, 2019 and 2020 for California Water Service Company, et al.*

IV. CATEGORIZATION AND NEED FOR HEARING

Cal Advocates agrees that this proceeding be categorized as ratesetting under Rule 2.1(c).⁷ At this time Cal Advocates believes that evidentiary hearings may be necessary.

V. EX PARTE COMMUNICATIONS

The Commission should exercise its authority under Public Utilities Code Section 1701.3(h)(1) to prohibit ex-parte communications in this proceeding or, in the alternative, permit only all-party meetings. This will enhance transparency and better ensure that the decisions made in this proceeding are based solely on the evidentiary record.

VI. SCHEDULE

The schedule for this proceeding should be addressed at the prehearing conference (PHC) after parties have had further time to evaluate the application. Cal Advocates proposes the following preliminary schedule, which is contingent upon the Commission's scoping rulings:

Proposed Date	Item
June 4, 2021	Protest or response due
June 14, 2021	Reply to protest due
TBD	Prehearing conference
TBD	Scoping memo
4 weeks after issuance of Scoping Memo	Cal Advocates and intervenors testimony due
3 weeks after service of Cal Advocates and intervenors Testimony	Rebuttal testimony due
10 days after service of rebuttal testimony	Meet and confer before evidentiary hearings ⁸
TBD	Evidentiary hearings

⁷ See the Commission Resolution ALJ-176-3486, dated May 21, 2021.

⁸ Required by Rule 13.9 unless the ALJ or assigned Commissioner rules otherwise.

Proposed Date	Item
3 weeks after completion of evidentiary hearings	Concurrent opening briefs due
2 weeks after filing of opening briefs	Concurrent reply briefs due
TBD	Proposed Decision to be issued
20 days after issuance of Proposed Decision	Opening comments on Proposed Decision
10 days after service of Opening Comments on the PD	Reply comments on Proposed Decision
TBD	Final Decision to be adopted

VII. CONCLUSION

Cal Advocates requests that the Commission adopt the categorization, issues, and need for hearings as proposed in this protest. The Commission should set a schedule for this proceeding that provides adequate time for discovery, analysis, preparation of testimony, evidentiary hearings, and briefing.

Respectfully submitted,

/s/ **CRYSTAL YU**
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